

AR21



Annual Report 1966
Southam Press Limited

Newspapers • Magazines • Printing

1877 • 1967



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Southam Press Limited was incorporated under the Companies Act of Canada by Letters Patent dated December 7, 1927, and commenced business on January 1, 1928. Since May 1945 the shares of the company have been listed on the Montreal, Toronto and Vancouver stock exchanges. Stock Transfer Agent, The Royal Trust Company; Stock Registrar, The Bankers' Trust Company.

The year's results at a glance

Consolidated, with comparative figures for 1965

	1966	1965
Earnings		
Gross revenues	\$68,785,512	\$64,052,703
Gross expenses	56,241,801	51,483,961
Depreciation	2,174,981	1,934,041
Income taxes	4,818,000	5,126,000
Income before profit on sale of surplus fixed assets and investments	5,550,730	5,508,701
per share	1.85	1.84
Profit on sale of surplus fixed assets and investments	218,174	1,337,344
Net income	5,768,904	6,846,045
Dividends paid	3,600,000	3,600,000
Dividends paid per share	1.20	1.20
Balance sheet		
Working capital	\$ 2,991,509	\$ 3,139,661
Investments	8,081,990	7,927,767
Fixed assets (net)	18,727,374	17,008,684
Other assets	531,306	120,016
Long term debt	4,048,280	3,954,160
Deferred income taxes	1,515,000	1,077,000
Shareholders' equity	24,768,899	23,164,968
Statistics		
Advertising lineage—newspapers	135,391,106	130,667,379
Advertising pages—magazines	18,991	19,252
Daily newspaper circulation—December	531,194	521,233
Total number of employees	3,903	3,777
Total salaries, wages and employee benefits	\$26,697,093	\$24,162,549
Common share price range	\$ 42—31	\$ 40—33

Southam Press Limited

Head Office

321 Bloor Street East, Toronto

Newspaper divisions

The Ottawa Citizen
The North Bay Nugget
The Hamilton Spectator
The Winnipeg Tribune
The Medicine Hat News
The Edmonton Journal
The Calgary Herald
The Vancouver Province (*published for Pacific Press Limited*)
Financial Times of Canada, *Montreal*

News bureaux

Southam News Services
Ottawa, Quebec, Washington, London

Newspaper advertising offices

Toronto, Montreal and representation in London and throughout U.S.A.

Wholly owned subsidiaries

The Southam Printing Company Limited
Montreal, Toronto, Vancouver
Murray Printing & Gravure Limited
Weston, Ontario
Autographic Business Forms Limited, *Montreal*
Southam Business Publications Limited
Don Mills, Ontario
Journal of Commerce Limited, *Vancouver*
Grant Smedmor Limited, *Toronto*
Southex Limited, *Toronto*
Age Publishing Company Limited, *Toronto*

Associated companies

Pacific Press Limited (50 percent owned), *Vancouver*
Southstar Publishers Limited (50 percent owned), *Toronto*
C. O. Nickle Publications Company Limited (50 percent owned), *Calgary*

Southam business publications

Architecture-Bâtiment-Construction
Canadian Architect, The
Canadian Chemical Processing
Canadian Consulting Engineer
Canadian Farm Equipment Dealer
Canadian Forest Industries
Canadian Gas Journal
Canadian Metalworking/Machine Production
Canadian Petroleum
Canadian Plastics
Canadian Transportation
Canadian Wood Products Industries
Construction West
Electrical Equipment News
Electrical News & Engineering
Electronics & Communications
Engineering & Contract Record
Equipement Industriel
Executive
Food Service & Hospitality
Furniture & Furnishings
Génie-Construction
Good Farming Quarterly
Heating/Plumbing/Air Conditioning
Hospital Administration in Canada
Industrial Products & Equipment
Journal of Commerce
L'Entrepreneur en Plomberie et Chauffage
Mining in Canada
Office Administration
Opérations Forestières
Packaging Progress
Product Design & Value Engineering
School Administration
Shoe & Leather Journal
Southam Building Guide
Southam Building Reports
Water & Pollution Control

13 annual publications
20 trade shows

Directors and Officers

Southam Press Limited

- †Philip S. Fisher, CBE, chairman of the board
- †St. Clair Balfour, president
- *F. S. Auger, vice-president and publisher,
The Vancouver Province (published for Pacific Press Limited)
- Michael Barkway, publisher and editor,
Financial Times of Canada
- †Basil Dean, vice-president and publisher,
The Edmonton Journal
- Gordon N. Fisher, vice-president
- J. F. Grainger, vice-president and publisher,
The North Bay Nugget
- I. C. MacDonald, publisher and editor,
The Medicine Hat News
- *T. E. Nichols, vice-president and publisher,
The Hamilton Spectator
- Peter O'Brian, vice-president, personnel
- B. H. Shelley, CA, secretary-treasurer
- †R. W. Southam, vice-president and publisher,
The Ottawa Citizen
- †W. W. Southam, vice-president
- F. G. Swanson, vice-president and publisher,
The Calgary Herald
- John S. Ward, vice-president, marketing
- A. R. Williams, vice-president and publisher,
The Winnipeg Tribune
- †George L. Crawford, QC, Calgary, Alberta
- *James A. Daly, Don Mills, Ontario
- †J. Grant Glassco, OBE, FCA, Toronto, Ontario
- †Britton B. Osler, QC, Toronto, Ontario
- *J. Jacques Pigott, Toronto, Ontario
- *W. Culver Riley, OBE, Winnipeg, Manitoba
- *G. H. Southam, Ottawa, Ontario
- *Gordon T. Southam, Vancouver, British Columbia

*Director

†Director and member of the Executive Committee

The Southam Printing Company Limited

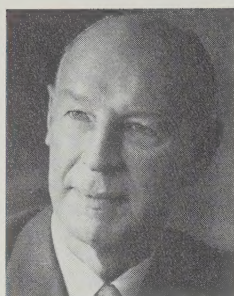
- *St. Clair Balfour, chairman of the board
- *John D. Murray, president
- *E. M. Pritchard, vice-president and
managing director
- *Guy S. Fisher, vice-president, Montreal division
- Frank Robins, general manager, The Nicholson
Printing Company, Vancouver
- D. G. Scott, FCA, secretary-treasurer
- *G. P. Clarkson, FCA, Toronto, Ontario
- *J. M. Crabtree, Aurora, Ontario
- *A. Y. Eaton, Toronto, Ontario
- *Gordon N. Fisher
- *Britton B. Osler, QC
- *W. W. Southam

Murray Printing & Gravure Limited

- *John D. Murray, president
- *E. M. Pritchard, executive vice-president
- *D. V. Lawrie, vice-president, manufacturing
- *J. C. S. Anderson, vice-president, sales and finance
- *Henry R. Dow, secretary-treasurer
- *St. Clair Balfour
- *G. P. Clarkson, FCA
- *J. M. Crabtree
- *Gordon N. Fisher

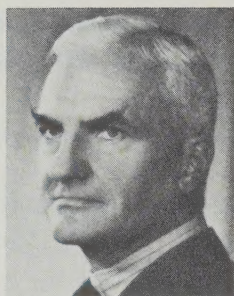
Southam Business Publications Limited

- *St. Clair Balfour, chairman of the board
- *James A. Daly, president
- E. V. Manser, vice-president, administration
- M. J. Kostuch, vice-president
- Aubrey Joel, vice-president
- G. W. Funston, vice-president
- J. E. Uberig, CA, RIA, secretary and treasurer
- *Gordon N. Fisher
- *Britton B. Osler, QC
- *W. W. Southam



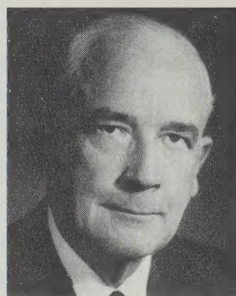
Philip S. Fisher, CBE
Elected director 1928.

Born Montreal, 1896. BA (McGill). Joined the company in 1924 as assistant to the president; president 1945; chairman 1961. Served in World War I with RNAS and RAF. Past president, Canadian Daily Newspaper Publishers Association; past chairman, Executive Council, Canadian Chamber of Commerce; honorary president, The Canadian Welfare Council; member, the National Council of Welfare.



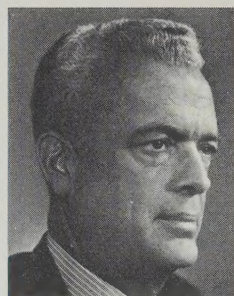
St. Clair Balfour
Elected director 1953.

Born Hamilton, 1910. BA (Toronto). Joined The Hamilton Spectator 1931; publisher 1951; transferred to head office as vice-president and managing director 1954; president 1961. Served in RCNVR 1940-1945. President, Canadian Press; director, Canadian Daily Newspaper Publishers Association. Secretary, American Newspaper Publishers Association; director, Canadian Heart Foundation; governor, McMaster University.



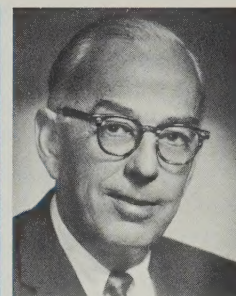
W. W. Southam,
P.ENG.
Elected director 1950.

Born Hamilton, 1908. BSC (McGill). Joined The Vancouver Province 1930; executive assistant, head office 1945; vice-president 1954. Member, Engineering Institute of Canada, Association of Professional Engineers of Ontario; director, American Newspaper Publishers Association Research Institute Inc.; vice-president, Toronto East General and Orthopaedic Hospital Research Foundation.



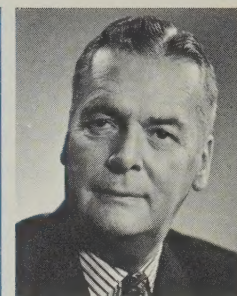
R. W. Southam
Elected director 1954.

Born Ottawa, 1914. BA (Queen's). MS (Columbia). Joined The Ottawa Citizen 1937; managing editor 1946; assistant publisher 1950; publisher 1953. Served with RCNVR 1940-1945. Past-president, Canadian Daily Newspaper Publishers Association. Trustee, Queen's University; member of corporation, Bishop's University.



Fred S. Auger
Elected director 1954.

Born Calgary, 1907. Joined The Winnipeg Tribune as publisher in 1951. Previously director of advertising, Proctor & Gamble. Appointed publisher of The Vancouver Province 1959. Director, Vancouver Art Gallery, B.C. Waterfowl Society, Boys Clubs of Vancouver; international trustee of Ducks Unlimited.



Gordon T. Southam
Elected director 1955.

Born Ottawa, 1910. Joined The Ottawa Citizen 1930. Moved to The Vancouver Province 1936. Served with RCNVR 1940-1945. President, Pioneer Envelopes Limited 1955; director, MacMillan, Bloedel and Powell River Limited and B.C. Packers Limited. President, G. F. Strong Rehabilitation Centre.



Basil Dean
Elected director 1962.

Born Newbury, England, 1915. Diploma for journalism (University of London). Joined The Hamilton Spectator 1938. Served in RCAF 1941-1945. Southam London bureau 1945; The Calgary Herald 1949; publisher 1955; publisher, The Edmonton Journal 1962. President, Canadian Daily Newspaper Publishers Association; director, Canadian Press; director, The Brandon Sun; director, Alberta and Northwest Chamber of Mines and Resources.



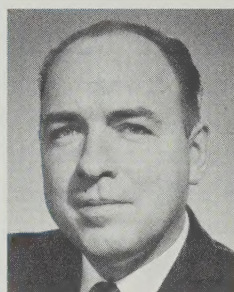
J. Jacques Pigott,
P.ENG.
Elected director 1962.

Born Detroit, Mich., 1916. Graduated in engineering University of Toronto 1940. Served with RCNVR 1940-1945. Joined Pigott Construction Company Limited in 1946, becoming executive vice-president of that company in 1956. Director of a number of Canadian companies.



G. Hamilton Southam
Elected director 1964.

Born Ottawa, 1916. B.A. (Toronto). Served with British then Canadian Army 1939-1945. Joined The Times of London 1945; The Ottawa Citizen 1946. Joined Department of External Affairs 1948; Secretary of Legation, Stockholm, 1949-1953; Charge d'Affaires and later Ambassador, Warsaw, 1959-1962; Coordinator, National Arts Centre, Ottawa, 1964.



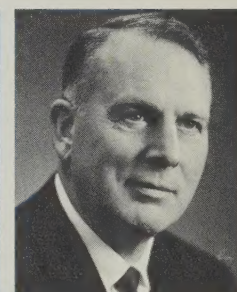
John F. Grainger

Born North Bay, 1915. With mechanical departments, The North Bay Nugget and The Sudbury Star 1929-1938. Returned to The North Bay Nugget 1939 in printing and advertising; publisher 1941; president, North Bay Publishing Company Limited 1948; vice-president and publisher on acquisition by Southam Press Limited. Former member North Bay City Council.



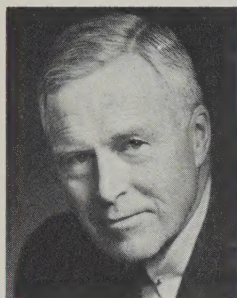
Frank G. Swanson

Born Edmonton, 1917. BA (Alberta), MSC (Columbia). Joined The Edmonton Journal 1938. Served in Canadian Army 1940-1945. Southam London bureau 1945; Ottawa Citizen Press Gallery correspondent 1948; associate editor 1956, editor 1960; assistant publisher, The Calgary Herald 1961; publisher 1962. Associate director, Calgary Exhibition and Stampede.

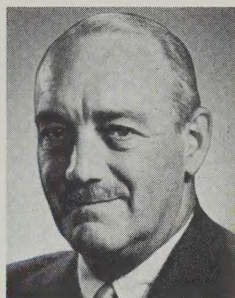


A. Ronald Williams

Born Tredegar, Wales, 1913. Joined Vancouver Province as assistant publisher in 1959; publisher The Winnipeg Tribune 1965. Previously a reporter with Toronto Globe; reporter and later assistant city editor, Toronto Star; editor, Financial Post; assistant to the president, A. V. Roe (Canada) Limited.



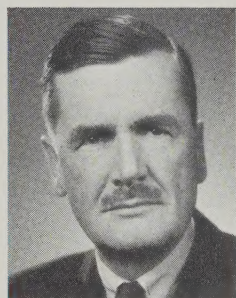
Britton B. Osler, QC
Elected director 1956.
Born Ottawa, 1904. Graduate RMC of Canada. Partner, law firm, Blake, Cassels & Graydon since 1933. Served in Canadian army 1940-1946. Member, board of governors, St. John's Convalescent Hospital; president of Ridley College. Director of a number of Canadian companies.



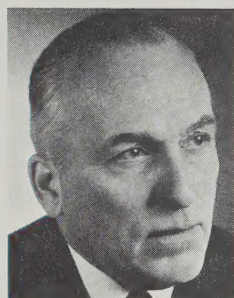
J. Grant Glassco, OBE, FCA
Elected director 1958.
Born Los Angeles, 1905. Chartered Accountant 1927. Partner, Clarkson, Gordon & Co. 1935-1957; joined Brazilian Light & Power Co., Limited, 1957, president 1963. Trustee, Hospital for Sick Children; chairman, Royal Commission on Government Organization 1960-1963. Director of a number of Canadian companies.



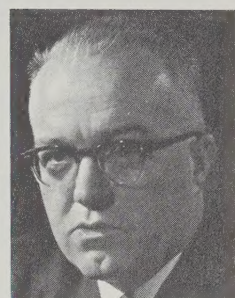
George L. Crawford, QC
Elected director 1959.
Born Edmonton, 1915. Called to Alberta Bar in 1939. Served with RCNVR 1940-1945. Partner, law firm, Arnold & Crawford. Member, Central Alberta Advisory Board, Canada Trust Huron & Erie. Member of The National Council of YMCA. Director of a number of Canadian companies.



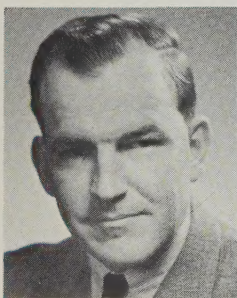
Thomas E. Nichols
Elected director 1960.
Born Winnipeg, 1907. BA (Mount Allison). Joined The Winnipeg Tribune 1928; The Vancouver Province 1930; The Hamilton Spectator in 1934. Served in RCNVR 1940-1945. Publisher, The Hamilton Spectator 1955. Director, Canadian Press, Canadian Daily Newspaper Publishers Association; governor, Art Gallery of Hamilton.



W. C. Riley, OBE
Elected director 1960.
Born Winnipeg, 1907. Chairman, Canadian Indemnity Company; United Canadian Shares Limited. Served in Canadian Army 1940-1945. Trustee, Winnipeg General Hospital; president, Pan-American Games Society. Director of a number of Canadian companies.



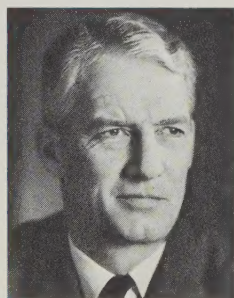
J. A. Daly
Elected director 1961.
Born Toronto, 1913. Joined Hugh C. MacLean Publications 1941. Successively editor, general manager, president and managing director 1955 and continued in this position when company acquired by Southam Press Limited. Past president, The Canadian Business Press, Business Paper Editors Association; president, The Periodical Press Association of Canada.



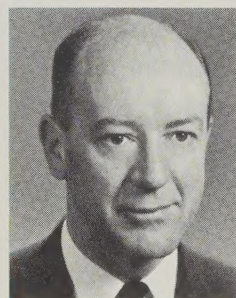
Gordon N. Fisher
Born Montreal, 1928. B.ENG. (McGill). Joined head office of Southam Press Limited as executive assistant 1958; assistant to the president 1962; vice-president 1965. Member, Engineering Institute of Canada; governor, Trinity College School; director, Boys Village, Boys Clubs of Canada; member, board of governors, Canadian Welfare Council.



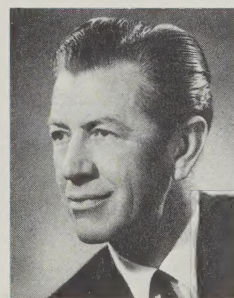
John S. Ward
Born Toronto, 1919. Educated public schools and University of Saskatchewan, Saskatoon. RCAF 1940-1946. MacLaren Advertising Company Limited, 1946. Joined Toronto advertising service department of Southam Newspapers 1948; assistant advertising manager, The Edmonton Journal 1950; advertising director 1951; transferred to head office as vice-president, marketing 1960.



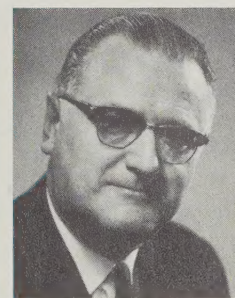
Peter O'Brian
Born Toronto, 1917. Graduate of RAF College, England, 1937. Served with RAF until 1959. W. H. Smith & Son (Canada) Ltd., 1960. Urwick, Currie Limited, management consultants, 1963. Joined Southam Press Limited as assistant to the president 1965. Vice-president personnel 1967. Governor, Trinity College School.



B. H. Shelley, CA
Born Manchester, England, 1917. Served in RAF 1939-1945. McDonald, Currie & Co. Toronto 1947, Brazilian Traction, Light & Power Company Limited, Sao Paulo, Brazil 1950. Joined the company in 1957 as assistant secretary-treasurer; appointed secretary-treasurer same year.



John D. Murray
Born Toronto, 1912. B. COMM. (Toronto). Joined Murray Printing Co. Ltd., 1934; president 1958; director, Southam Printing Company Limited, 1964, president, 1966. Vice-president, Granite Club (Toronto); director, Canadian Diabetic Association.



E. M. Pritchard
Born Harrogate, England, 1910. Practical experience in marketing and finance before joining Consolidated Press Ltd. in 1950 as director of manufacturing. General manager, Council of Printing Industries, 1958; vice-president and managing director, Southam Printing Company Limited, 1961. Vice-president and treasurer, Graphic Arts Industries Association; governor, Council of Printing Industries; member Executive Committee, Graphic Arts Technical Foundation.

Directors' report to the shareholders

Your directors have pleasure in submitting the 40th annual report of the company for the year ended December 31, 1966.

Although net income from operations and investments, at \$1.85 per share, is only just ahead of the \$1.84 earned in 1965, the year was one of substantial progress.

The demand for our chief products, newspapers, magazines and the advertising that appears in them, as well as the output of our commercial printing plants, continued to grow. Total operating revenues increased 7.3 percent.

Costs and operating expenses showed a higher rate of growth, 9.4 percent, but included a number of items of a special nature. The major item was the development costs of new publications, the most important of which was The Canadian.

Investment income for the year improved 11.5 percent. Included in the total is \$780,000 from Pacific Press Limited, which compares with \$680,000 in 1965; and \$207,000 from holdings in the broadcasting field, which compares with \$138,000 in 1965.

In addition to the income mentioned, the financial statements again include an amount of capital profit. In 1965, \$1,337,000 arose from the sale of certain investments. In 1966, \$218,000 arose from the sale of vacated plants and real estate in Toronto, Montreal

and Vancouver.

Dividend payments for the year were \$1.20 per share. This was the same as that paid the previous year.

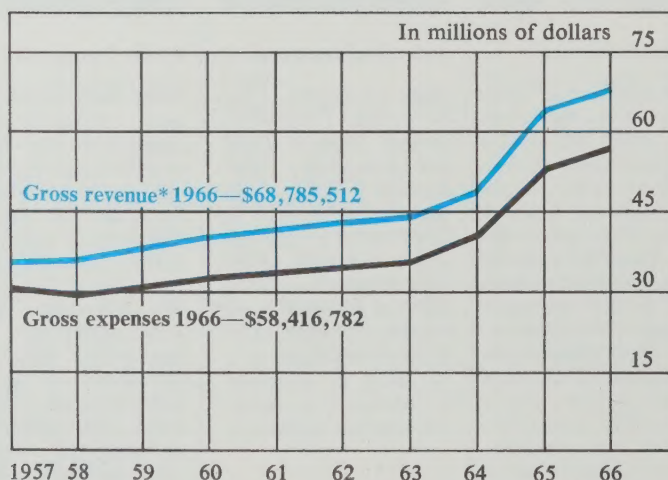
During the year \$3,900,000 was spent on additions and improvements to production facilities compared with \$3,400,000 in 1965. The largest expenditure was at the Southam-Murray plant where additions to the buildings and the installation of new equipment have enabled us to house all our Toronto commercial printing operations.

The funds necessary to finance the company's capital expenditures were provided mainly by retained earnings and depreciation.

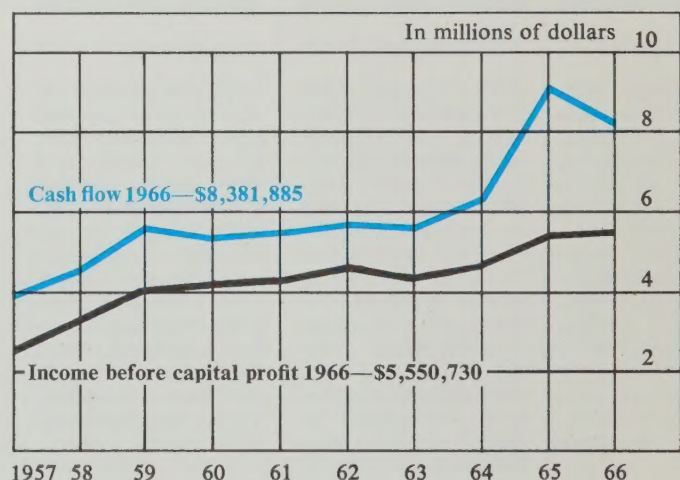
At the year-end working capital stood at \$2,992,000 which we believe is adequate for all current requirements.

* * *

The company's newspapers continued to grow in an economic climate that showed some tendency to slower rates of expansion than the very prosperous 1965. In December our combined daily circulation had risen 1.9 percent to 531,194. Price increases by some of the papers slowed the growth but the circulation gain, together with the higher rates, produced a 7.5 percent improvement in circulation revenue.



*Excluding capital profits



Newspaper advertising lineage advanced 3.6 percent from the record levels of the year before and, with adjustments in certain rates, produced a 5.2 percent gain in advertising revenue.

The company continued its policy of emphasizing high grade editorial and news content in its publications. Each of our papers is managed by an independent team of capable newspapermen. Editorial policies are established by the individual publishers each of whom is responsive to local problems in the community he serves.

The Southam News Services have been expanded and continue to supply outstanding coverage of national and international affairs to all our dailies. The output of our foreign bureaux in London and Washington and of the Canadian offices in Ottawa and Quebec City is supplemented from time to time when members of the staff travel to the world's key news spots on special assignment. During 1966, Paul Kidd, our correspondent for South America, received the Maria Moors Cabot gold medal award from Columbia University for his unique coverage of affairs in Cuba.

The Canadian, in which we are equal partners with Toronto Star Limited, is distributed weekly by all the Southam newspapers as well as the Toronto Star, the Star Weekly and a number of other Canadian

newspapers. Circulation at December 31, 1966 totalled over 2,000,000 copies weekly.

The magazine showed steady progress in its first year of publication.

After the turn of the year the company expanded its interest in daily newspapers through the acquisition, at a cost of \$586,000, of a substantial minority interest in The Brandon Sun in Manitoba.

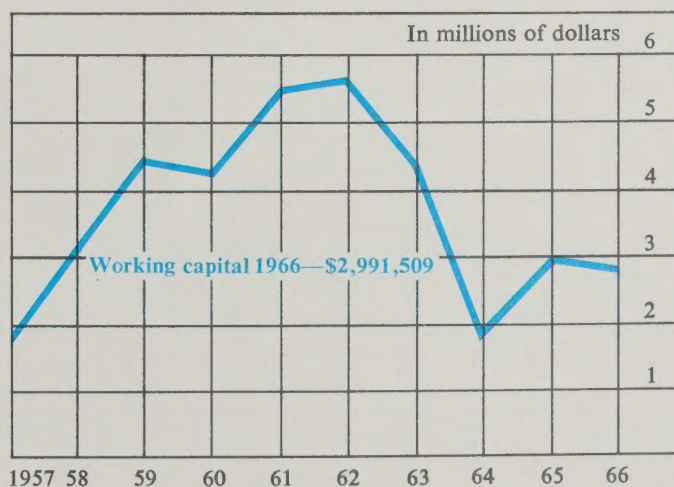
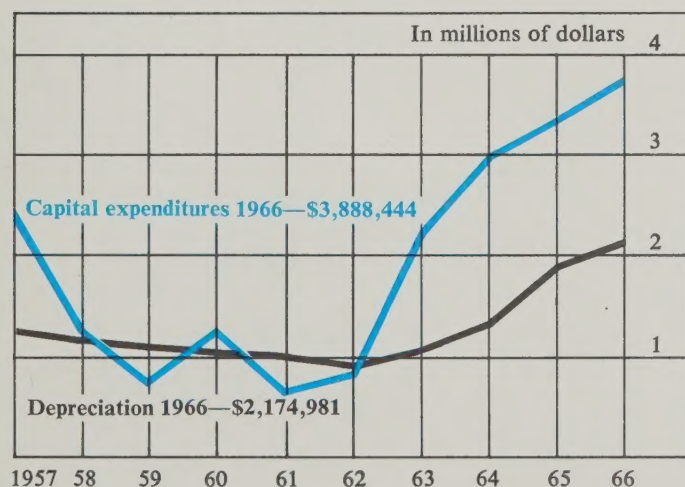
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In May, 1966, the merging of interests of Southam and Murray Printing was formalized with the appointment of Mr. J. D. Murray as president of The Southam Printing Company Limited. Mr. St. Clair Balfour, who had been president, remains as chairman of this wholly-owned subsidiary.

The complete operation of the printing plant in downtown Toronto was moved into the enlarged Murray plant at Weston. This plant, approximately the size of five football fields, now employs over one thousand skilled men and women. It is the largest of its kind in Canada and produces a wide range of high quality letterpress, offset and rotogravure printing.

* * *

Southam Business Publications Limited expanded its operations through the purchase of seven new publications. Two unprofitable publications were sold.





This aerial picture of the Weston plant and head office of Southam-Murray, taken through a "fish-eye" lens, shows the extent of the eight-acre building, largest of its kind in Canada.

Sales volume of the company was at record levels. A major development was the company's greater interest in trade show management. For some years our participation in this field has been limited to The Canadian Furniture Mart and three smaller trade shows run in conjunction with some of the company's business publications. In 1966 we acquired four new shows as the result of the purchase of Grant Smedmor Limited. Also during the year we formed Southex Limited, a new company which will operate exclusively in this field. As a result our interest now extends to 20 shows. It is expected that Southex will also manage, under contract, a number of trade shows owned by other organizations.

* * *

As in previous years the company supported many welfare activities in all the communities in which it operates. Cash contributions totalled \$283,000 and further support was given through newspaper publicity and printing. The program of Southam Fellowships in Journalism at the University of Toronto was continued. We are encouraged to feel that this is doing much to achieve the long range objective of improving journalistic talent available in Canada.

In spite of the fact that negotiations for new labour contracts have tended to be more difficult than in the past and settlements more expensive, our relations

with our employees have continued on a generally satisfactory basis. Our industry relies uniquely on the talents of the many skilled individuals who make up our divisional staffs. Both shareholders and customers have, for many years, been served by a dedicated group of executive and general personnel.

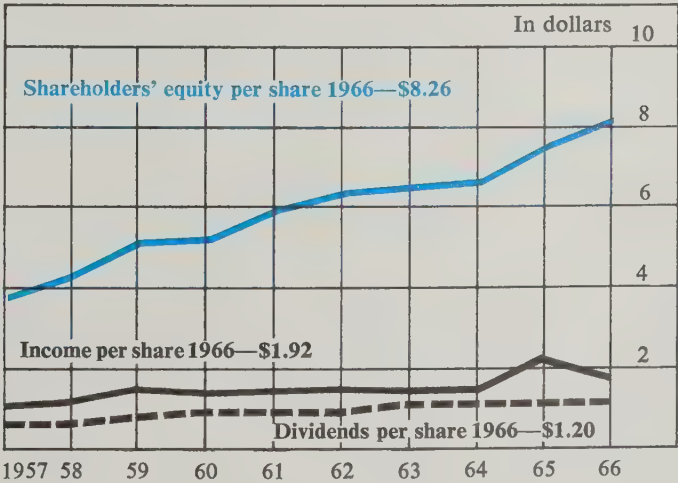
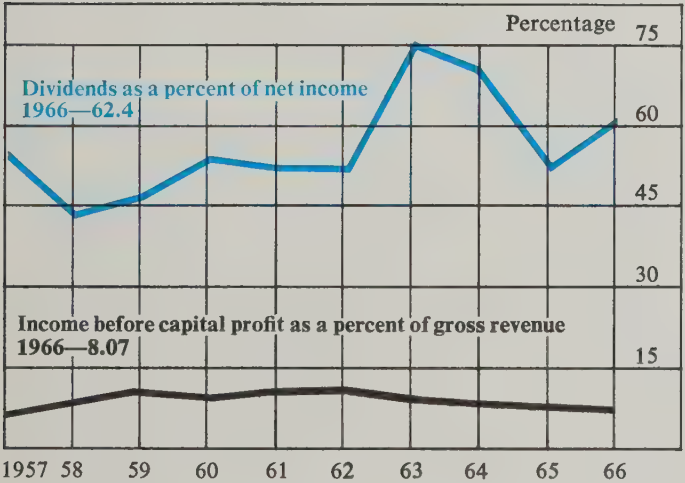
Retirement Fund Statement

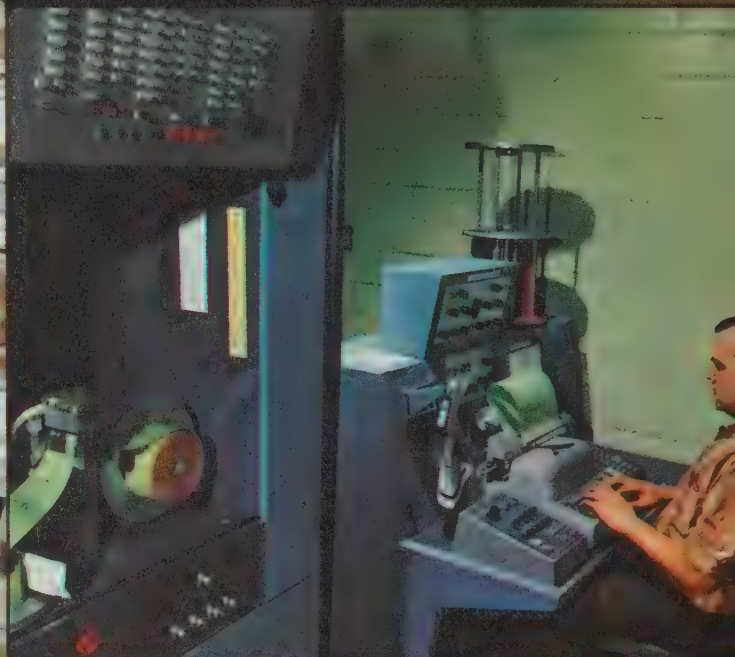
(not included in company accounts)

Balance January 1, 1966	\$14,284,351
Contributions during the year:	
Employees (including extra contributions of \$83,368)	\$570,708
Company	566,268
Net income of fund	726,122
	<u>16,147,449</u>
Payments for pensions and refunds	
on death or termination	723,285
Balance December 31, 1966	<u>\$15,424,164</u>

Funds are administered by The Royal Trust Company or Canada Trust Company or invested in government annuities.

Last year it was reported that the company's pension plan had been amended to provide for integration with





Above: arrow points to the Expo 67 pavilion which will house an international exhibition of fine photography sponsored by Southam Press Limited./Below: the recently completed modern refacing of The Medicine Hat News building./Right, top to bottom: an IBM 1130 computer about to be installed at The Hamilton Spectator. It will help speed type-setting and business office procedures./Photo-composition equipment in use. This process permits photographic type-setting in contrast to the traditional methods using hot metal./A selection of the 51 different business and professional magazines produced by Southam Business Publications Limited. Their circulation totals 454,000.



the Canada and Quebec Pension Plans. During 1966 the company reviewed and expanded its medical and group life benefit plans. Improved coverage is now available to all employees. Total cost to employees is somewhat reduced.

In 1966 the company's contribution to employee benefits was \$1,293,000 as compared with \$1,298,000 in 1965. Total number of employees now stands at 3,903, up 126 for the year.

* * *

During the year there were no changes in the directors and officers of the parent company. However, at the January, 1967 meeting of the board, Mr. Peter O'Brian, who joined the company as assistant to the president in 1965, was appointed vice-president, personnel.

* * *

Some economists have raised doubts about Canada's short term growth patterns in 1967. However, our own business has started off with indications of satisfactory

progress. Reductions in the development costs of new publications will help remove an important item of unusual expense and benefit net income accordingly.

Negotiated wage settlements of larger than normal proportions have raised basic costs in many sections of the Canadian economy in 1966. This company's position has been affected along with other industries. However, the company will continue to make investments in modern equipment for the purpose of achieving an optimum use of our labour forces.

We continue on the look-out for opportunities to extend our operations.

Your directors believe in this country's future. We see no reason to doubt that our share of Canada's prosperity will be maintained.

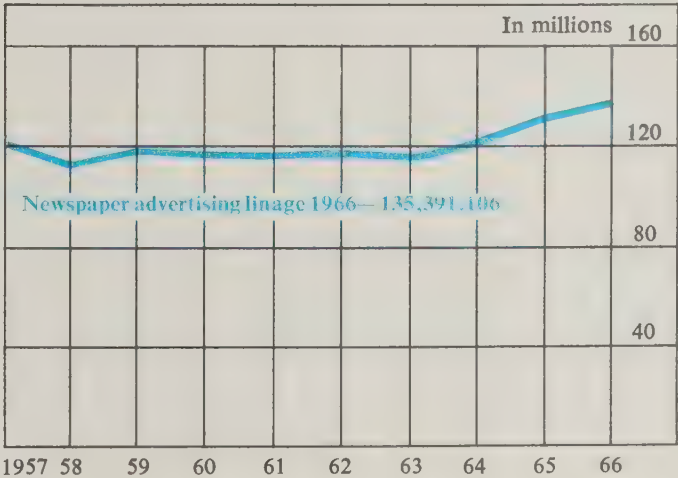
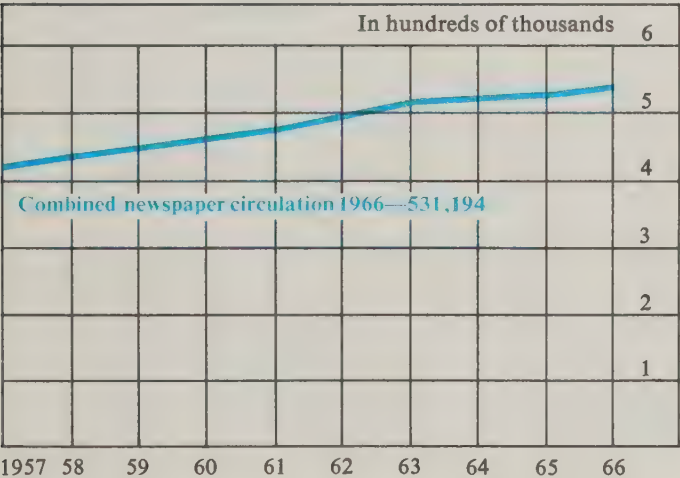
Submitted on behalf of the board.

Philip T. Fisher

Chairman

Stclair Bayford

President



Pacific Press Limited

The Province is published by Southam Press Limited for Pacific Press Limited in which Southam has a half interest. The other half is owned by The Sun Publishing Company Limited which publishes The Sun, Vancouver's afternoon daily.

Both papers are printed in the same plant by Pacific Press. However, in most areas, particularly that of editorial

content, the two papers are in direct competition.

The fiscal year of Pacific Press was altered from March 31 to December 31 in 1966, however, we do not yet have an audited statement for twelve months, so non-audited figures are shown below covering the twelve months ended December 31, 1966 (with comparative figures for 1965).

	1966	1965
Statement of income		
Total operating revenue	\$26,042,000	\$24,130,500
Total operating expense	20,149,800	17,739,000
Income before depreciation, interest and income tax	5,892,200	6,391,500
Deduct:		
Depreciation	851,100	716,500
Interest on 5½ percent debentures (owned by shareholders)	440,000	440,000
Provision for income tax	2,364,200	2,612,600
	3,655,300	3,769,100
Net income	\$ 2,236,900	\$ 2,622,400
50 percent interest therein of Southam Press Limited	\$ 1,118,450	\$ 1,311,200
Received by Southam Press Limited during the year as dividends	\$ 560,000	\$ 460,000
Condensed balance sheet as at December 31		
Working capital	\$ 514,600	\$ (326,200)
Non-current assets	513,900	389,100
Fixed assets at cost less depreciation	15,950,300	14,836,600
Franchises, subscription lists and other intangibles	6,430,000	6,440,000
	23,408,800	21,339,500
Deduct:		
Bank loan due 1968-1969	666,000	450,000
5½ percent debentures (owned by shareholders)	8,000,000	8,000,000
Provision for taxes applicable to future years	2,803,000	2,066,600
	11,469,000	10,516,600
Shareholders' equity	\$11,939,800	\$10,822,900
Southam Press Limited interest:		
50 percent of the common stock at a cost of	\$ 800,000	\$ 800,000
50 percent of the 5½ percent debenture issue at a cost of	4,000,000	4,000,000
50 percent of retained earnings	5,169,900	4,611,450
	\$ 9,969,900	\$ 9,411,450

Southam Press Limited is a Canadian-owned and operated company whose origins reach back almost to Confederation. The company began in 1877 when William Southam bought a half interest in The Hamilton Spectator. Between that date and 1927, when the family newspaper interests were reorganized as The Southam Publishing Company Limited, he and his six sons established or purchased seven other businesses. These were printing companies in Toronto (1881) and Montreal (1889) and newspapers, The Ottawa Citizen (1897), The Calgary Herald (1908), The Edmonton Journal (1912), The Winnipeg Tribune (1920), and The Vancouver Province (1923). A one-quarter interest in The London Free Press had also been bought.

William Southam in his earlier years had a substantial interest in other forms of business in Hamilton but over the years the family hammered out a policy of concentration on newspaper publishing and printing. In later years this policy was expanded to include a broader range of communications, including magazines, radio and television.

Originally the Southam family was not the sole owner of these enterprises; but commencing in 1927 the present company acquired all the minority equity interests, issuing shares in payment therefor.

In 1938 the company name was changed to The Southam Company Limited and in 1941 all the subsidiaries became divisions by transferring their assets to the parent company. Additional shares were issued in 1945 and made available to the public.

After the war the company entered a new phase of expansion. This resulted in the acquisition of The Medicine Hat News (1948), The North Bay Nugget (1956), a 47 percent interest in the Kitchener-Waterloo Record (1953). Over the years various interests in radio and television operations were also acquired. Pacific Press Limited, in which the company holds a 50 percent interest, was incorporated in 1957 and acquired The Vancouver Province and The Vancouver Sun.

In 1960 the company entered the field of business publications by purchasing a controlling interest in The Hugh C. MacLean Publications Limited. Now wholly-owned it is called Southam Business Publi-

cations Limited. New magazines have been launched and others purchased. It publishes 52 business and professional publications and produces twenty trade shows.

The company expanded into a new field in 1961 through the purchase of Financial Times of Canada, a national weekly newspaper covering the fields of business, finance and economics.

In 1964 the company purchased Murray Printing & Gravure Limited which owns the largest gravure printing plant in Canada. The plants and staffs of Murray Printing and The Southam Printing Company were merged in expanded facilities at Weston, Ontario, during 1966.

During 1965 a new company, Southstar Publishers Limited, was formed in equal partnership with Toronto Star Limited to publish a weekly rotogravure magazine. Called The Canadian, it is distributed with all Southam newspapers, the Toronto Star, the Star Weekly, the Montreal Gazette, the Regina Leader-Post and the Saskatoon Star-Phoenix.

In an industry as important to the growth and maturity of Canadian public opinion as newspaper and magazine publishing, the company has pursued a number of basic policies, all of which are intended to assure objectivity of the printed word. These are:

1. The company will have no financial interest in enterprises outside communications and printing.
2. Officers of the company or its subsidiaries and senior publishing executives may not act as directors of other unrelated firms operated for profit unless the company has an interest in such firms to be served thereby.
3. The company's newspapers and magazines are operated under individual management and develop independent editorial policies. There is no "Southam" editorial policy.
4. Officers, editorial personnel and all other key employees of the company are expected to remain free from political and other outside activities when such activities might influence or appear to influence the editorial freedom or independence of any of the company's publications.

Thorne,
Gunn,
Helliwell
& Christenson

GUNN, ROBERTS AND CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Southam Press Limited:

We have examined the consolidated balance sheet of Southam Press Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 15, 1967

Gunn, Roberts and Co.
Chartered Accountants

OFFICES IN CANADA: Victoria, Vancouver, Vernon, Cranbrook, Invermere, Calgary, Edmonton, Saskatoon, Portage la Prairie, Winnipeg, Chatham, London, Kitchener, Galt, Toronto, Kingston, Ottawa, Montreal, Saint John, Moncton
OFFICES OUTSIDE CANADA: Nassau and Freeport in Bahamas, Bridgetown, Barbados

Consolidated statement of income

	Year ended December 31		
	1966	% change	1965
Revenue from operations			
Newspapers	\$40,475,404		\$38,709,770
Printing	19,652,177		17,325,350
Magazines	7,432,594		6,919,073
	67,560,175	+7.3	62,954,193
Costs and operating expenses.	55,981,411		51,263,041
Depreciation (note 2)	2,174,981		1,934,041
Interest on borrowed funds	260,390		220,920
	58,416,782	+9.4	53,418,002
Income from operations before income taxes	9,143,393	-4.3	9,536,191
Income from investments			
Pacific Press Limited	780,000		680,000
Other investments.	445,337		418,510
	10,368,730	-2.6	10,634,701
Income taxes (note 3)	4,818,000	-6.4	5,126,000
Income before profit on sale of surplus			
fixed assets and investments	5,550,730	+0.8	5,508,701
Profit on sale of surplus fixed assets and investments . .	218,174		1,337,344
Net income	\$ 5,768,904		\$ 6,846,045
Per share			
Income before profit on sale of surplus fixed			
assets and investments	\$1.85		\$1.84
Net income	\$1.92		\$2.28

Consolidated statement of retained earnings

	Year ended December 31	
	1966	1965
Balance at beginning of year	\$20,164,968	\$17,367,954
Add net income for the year	5,768,904	6,846,045
	25,933,872	24,213,999
Deduct		
Dividends—\$1.20 per share in each year	3,600,000	3,600,000
Excess of cost of subsidiary companies and publications acquired		
over value attributable to their net tangible assets.	564,973	449,031
	4,164,973	4,049,031
Balance at end of year	\$21,768,899	\$20,164,968

Consolidated Balance Sheet

	December 31	
	1966	1965
Assets		
CURRENT ASSETS		
Cash.	\$ 487,813	\$ 941,909
Short term securities	96,974	200,000
Accounts receivable (after allowance for doubtful accounts)	6,752,710	6,037,728
Inventories (note 5)	4,265,626	3,672,702
Prepaid expenses	424,653	281,320
	12,027,776	11,133,659
INVESTMENTS AT COST (note 6)		
Pacific Press Limited shares and debentures.	4,800,000	4,800,000
Other newspaper and publishing companies	896,835	896,980
Radio and television companies	1,416,935	1,415,999
Mortgages receivable.	823,835	714,326
Other investments	144,385	100,462
	8,081,990	7,927,767
FIXED ASSETS AT NOT MORE THAN COST		
Land	1,981,324	2,012,014
Buildings	\$16,051,182	
Less accumulated depreciation.	5,717,384	10,333,798
Machinery and equipment	24,760,986	
Less accumulated depreciation.	18,348,734	6,412,252
	18,727,374	17,008,684
OTHER ASSETS		
Special refundable tax	265,140	—
Advances under employees' stock purchase plan	266,166	120,016
	531,306	120,016
	\$39,368,446	\$36,190,126

Approved on behalf of the Board:
Philip S. Fisher, Director
St. Clair Balfour, Director

Notes to consolidated financial statements

1. The consolidated financial statements include the accounts of all subsidiary companies. Revenue and expenses of companies which became subsidiaries are included from the dates that control was acquired. The more substantial operating subsidiary companies are—
The Southam Printing Company Limited
Murray Printing & Gravure Limited, and
Southam Business Publications Limited.
2. Depreciation has been charged at rates normally permitted for income tax purposes.

3. As the companies intend to claim additional capital cost allowances for 1966 under incentive provisions of the income tax regulations, income taxes provided for 1966 exceed the amounts actually payable by \$438,000 (1965, \$435,000). The reduction in tax payable is applicable to those future periods in which depreciation recorded in the accounts exceeds that allowable for tax purposes. Accordingly, it is included in the balance sheet in "Deferred income taxes".
4. For 1966 remuneration paid to the company's directors, including amounts paid to directors as officers or employees, amounted to \$316,285, interest on long term debt \$211,400,

	December 31	
	1966	1965
Liabilities		
CURRENT LIABILITIES		
Bank advances	\$ 1,006,421	\$ 15,000
Accounts payable and accrued liabilities	5,071,740	4,819,081
Income and other taxes	2,006,031	2,354,098
Deferred revenue—subscriptions and rentals	765,145	688,299
Payments on long term debt due within one year	186,930	117,520
	<u>9,036,267</u>	<u>7,993,998</u>
LONG TERM DEBT (non-current portion)		
6% Note due 1968 (in 1965, 4¾% note due 1967)	1,000,000	1,000,000
5% Perpetual redeemable debentures	2,448,000	2,514,000
Long term debt of subsidiary companies (note 7)	600,280	440,160
	<u>4,048,280</u>	<u>3,954,160</u>
DEFERRED INCOME TAXES (note 3)	<u>1,515,000</u>	<u>1,077,000</u>
Shareholders' equity		
CAPITAL STOCK		
Common shares without nominal or par value		
Authorized—4,000,000 shares		
Issued —3,000,000 shares	3,000,000	3,000,000
RETAINED EARNINGS	<u>21,768,899</u>	<u>20,164,968</u>
	<u>24,768,899</u>	<u>23,164,968</u>
	<u>\$39,368,446</u>	<u>\$36,190,126</u>

legal fees \$58,656 and audit fees \$64,535.

5. Inventories consist of the following:

	1966	1965
Newsprint and other newspaper supplies at the lower of cost or replacement cost	\$ 660,985	\$ 595,808
Printing company inventories (consisting principally of work in process) at the lower of cost or net realizable value.	<u>3,604,641</u>	<u>3,076,894</u>
	<u>\$4,265,626</u>	<u>\$3,672,702</u>

6. Condensed unaudited financial statements of Pacific Press Limited, a 50% owned company, are set out on page 12.

Significant interests in common shares of other companies at December 31, 1966, are as follows:

Companies	% interest in common shares
Other newspaper and publishing companies	
Kitchener-Waterloo Record Limited	48
The London Free Press Holdings Limited	25
Southstar Publishers Limited	50
C. O. Nickle Publications Co. Ltd.	50

Consolidated statement of source and use of funds

	Year ended December 31	
	1966	1965
Source of funds		
From operations		
Net income for the year	\$ 5,768,904	\$ 6,846,045
Add items not requiring current outlay		
Depreciation charged against income	2,174,981	1,934,041
Deferred income taxes	438,000	435,000
	<u>8,381,885</u>	<u>9,215,086</u>
Long term borrowing	1,347,050	—
Working capital of subsidiaries acquired	145,709	141,711
	<u>9,874,644</u>	<u>9,356,797</u>
Use of funds		
Dividends paid	3,600,000	3,600,000
Additions to fixed assets, net.	3,888,444	3,397,714
Long term debt repaid or currently payable	1,252,930	210,000
Investments acquired, net	154,223	295,640
Acquisitions of subsidiaries and publications, net	715,909	691,295
Special refundable tax paid	265,140	—
Advances under employees' stock purchase plan, net	146,150	120,016
	<u>10,022,796</u>	<u>8,314,665</u>
(DECREASE) INCREASE IN WORKING CAPITAL	<u>\$ (148,152)</u>	<u>\$ 1,042,132</u>

Radio and television companies

Edmonton Broadcasting Company Limited	40
Calgary Broadcasting Company Limited.	40
Calgary Television Limited	20
Niagara Television Limited (Hamilton)	25
CKOY Limited (Ottawa)	38
Selkirk Holdings Limited, A (non-voting)	25
Selkirk Holdings Limited, B (voting)	30
Wentworth Radio Broadcasting Company Limited (Hamilton)	19
Other companies	
Quality Records Limited	11

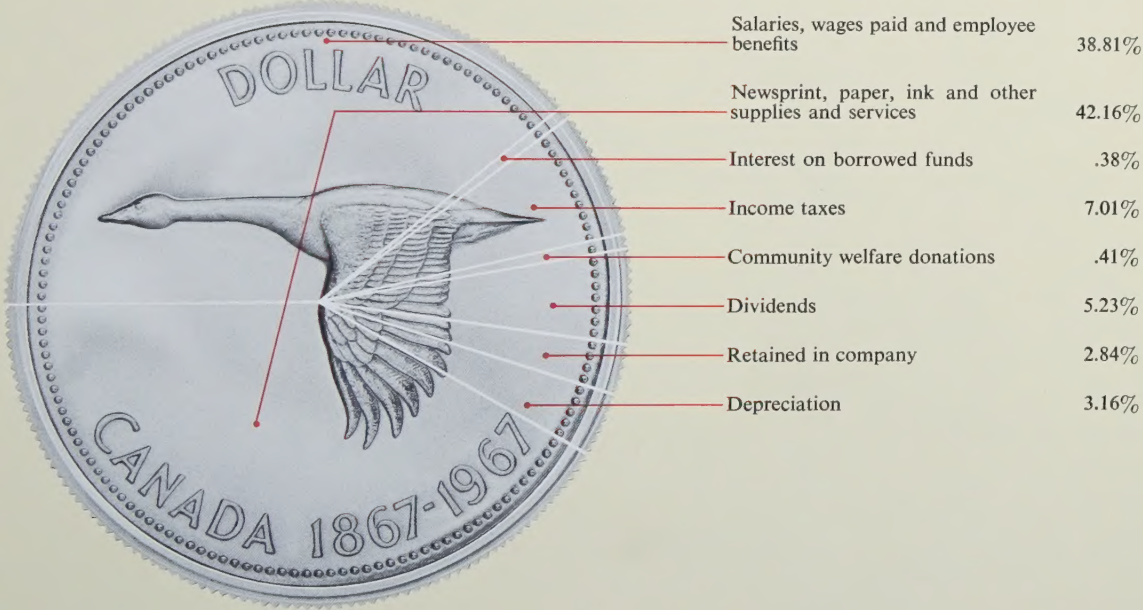
7. Long term debt of subsidiary companies consists of 5¼% first mortgage sinking fund bonds due 1969, \$200,000; 6¾% secured loan due 1974, \$122,640; and 6% unsecured loan due 1971, \$271,640.

8. Commitments for acquisition of fixed assets and an investment in Sun Publishing Company Limited, Brandon, Manitoba, payable during 1967 amount to \$1,700,000.

9. Advances under employees' stock purchase plan, previously included in other investments, have been reclassified in the 1965 comparative figures.

Disposition of revenue

	1966		1965	
Gross revenue (excluding profit on sale of surplus fixed assets and investments)	\$68,785,512	100.00%	\$64,052,703	100.00%
Salaries and wages paid	\$25,404,062	36.93	\$22,864,344	35.70%
Employee benefits	1,293,031	1.88	1,298,205	2.03
Newsprint, paper and ink	14,535,434	21.13	13,278,750	20.73
Other supplies and services	14,465,751	21.03	13,548,037	21.15
Depreciation	2,174,981	3.16	1,934,041	3.02
Interest on borrowed funds	260,390	.38	220,920	.34
Income taxes	4,818,000	7.01	5,126,000	8.00
Community welfare donations	283,133	.41	273,705	.43
Dividends	3,600,000	5.23	3,600,000	5.62
Retained in company (excluding profit on sale of surplus fixed assets and investments)	1,950,730	2.84	1,908,701	2.98
	\$68,785,512	100.00%	\$64,052,703	100.00%



Ten-year comparative summary

	1957	1958	1959
Earnings			
Revenue from operations	\$35,047,415	35,184,835	37,800,331
Income from investments	\$ 260,149	545,898	951,338
Costs and operating expenses	\$28,627,819	27,834,670	29,591,099
Interest on borrowed funds	\$ 336,030	406,613	375,138
Depreciation	\$ 1,242,736	1,209,500	1,156,885
Income taxes	\$ 2,431,871	2,852,000	3,591,000
Income before capital profit	\$ 2,669,108	3,427,950	4,037,547
Income before capital profit as a percent of revenue	7.56%	9.59	10.42
Capital profit	\$ —	—	531,793
Net Income	\$ 2,669,108	3,427,950	4,569,340
Net income per share*	\$.89	1.14	1.52
Dividends paid	\$ 1,500,000	1,500,000	2,137,500
Dividends per share*	\$.50	.50	.71
Percent income distributed	56.2%	43.8	46.8

Balance sheets			
Current assets	\$ 5,860,605	7,370,762	9,226,309
Current liabilities	\$ 3,867,460	4,091,224	4,716,778
Working capital	\$ 1,993,145	3,279,538	4,509,531
Investments	\$ 6,856,157	6,902,055	7,756,639
Fixed assets—gross	\$20,735,916	21,556,050	21,977,135
Accumulated depreciation	\$10,611,217	11,340,093	12,077,976
Other assets	\$ —	—	—
Long term debt	\$ 7,100,000	6,600,000	5,924,000
Minority shareholders' equity	\$ 155,253	150,852	162,791
Deferred income taxes	\$ —	—	—
Capital stock	\$ 3,000,000	3,000,000	3,000,000
Retained earnings	\$ 8,718,748	10,646,698	13,078,538
Equity per common share*	\$ 3.90	4.55	5.36

Statistics			
Advertising lineage—newspapers	121,100,525	113,715,789	119,809,999
Advertising pages—magazines	—	—	—
Newspaper pages	92,168	86,179	90,113
Magazine pages	—	—	—
Daily newspaper circulation—December	426,334	441,338	454,636
Tons of newsprint used	48,325	41,893	44,629
Employees	2,701	2,829	2,824
Salaries and wages paid	\$11,972,966	11,750,259	12,602,035
Employee benefits	\$ 690,538	817,200	861,100
Improvements to plant	\$ 2,562,434	1,300,758	840,087
Shareholders	1,669	1,720	1,680
Common share price range*	13⅞—9¾	15¾—9½	20¾—15⅞

*Adjusted for the years 1957 to 1959 to reflect a four-for-one stock split in 1960.

1960	1961	1962	1963	1964	1965	1966
39,704,072	40,742,329	41,852,876	43,083,147	48,874,420	62,954,193	67,560,175
850,679	946,975	1,125,286	1,181,805	1,108,641	1,098,510	1,225,337
31,297,610	32,300,356	33,506,914	35,006,763	39,638,530	51,263,041	55,981,411
333,967	296,377	257,624	214,318	177,041	220,920	260,390
1,098,068	1,020,047	989,843	1,071,732	1,335,903	1,934,041	2,174,981
3,737,000	3,815,000	3,823,000	3,710,000	4,108,000	5,126,000	4,818,000
4,088,106	4,257,524	4,400,781	4,262,139	4,723,587	5,508,701	5,550,730
10.08	10.21	10.24	9.63	9.45	8.60	8.07
231,792	253,030	372,280	285,965	—	1,337,344	218,174
4,319,898	4,510,554	4,773,061	4,548,104	4,723,587	6,846,045	5,768,904
1.44	1.50	1.59	1.52	1.57	2.28	1.92
2,400,000	2,400,000	2,550,000	3,450,000	3,450,000	3,600,000	3,600,000
.80	.80	.85	1.15	1.15	1.20	1.20
55.5	53.2	53.5	75.8	73.0	52.6	62.4
9,268,180	10,407,330	10,803,269	10,201,905	9,205,142	11,133,659	12,027,776
4,980,327	4,700,352	4,998,687	5,736,491	7,107,613	7,993,998	9,036,267
4,287,853	5,706,978	5,804,582	4,465,414	2,097,529	3,139,661	2,991,509
7,206,355	7,511,967	9,030,472	8,715,344	7,632,127	7,927,767	8,081,990
23,503,575	23,524,859	22,331,984	24,344,383	36,345,748	39,915,413	42,793,492
13,144,238	13,609,744	13,337,754	14,108,369	21,041,450	22,906,729	24,066,118
—	—	—	—	—	120,016	531,306
5,307,000	4,626,000	3,945,000	3,186,000	4,024,000	3,954,160	4,048,280
194,935	45,896	—	—	—	—	—
—	—	—	135,000	642,000	1,077,000	1,515,000
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
13,351,610	15,462,164	16,884,284	17,095,772	17,367,954	20,164,968	21,768,899
5.45	6.15	6.63	6.70	6.79	7.72	8.26
18,269,453	117,770,937	118,576,663	117,210,399	122,527,760	130,667,379	135,391,106
—	8,628	8,900	10,353	15,116	19,252	18,991
88,801	87,469	89,117	87,684	90,989	95,987	105,439
—	16,767	17,930	21,062	30,338	38,070	38,602
465,781	478,454	495,184	506,253	512,670	521,233	531,194
45,549	45,882	48,798	49,853	53,104	56,572	58,122
2,976	2,794	2,781	2,813	3,649	3,777	3,903
13,560,708	14,081,178	14,439,121	15,022,981	17,134,589	22,864,344	25,404,062
876,350	847,803	975,115	1,009,146	1,090,764	1,298,205	1,293,031
1,292,246	741,715	896,678	2,313,516	2,998,674	3,397,714	3,888,444
1,954	2,053	2,271	2,429	2,499	2,673	2,714
24—18½	34—21	34½—25	36¾—29	34—27	40—33	42—31



Samples of the great variety of commercial printing done by The Southam Printing Company Limited at its plants in Weston, Montreal and Vancouver.